

Message Text

LIMITED OFFICIAL USE

PAGE 01 ALGIER 00459 241706Z

20

ACTION EB-07

INFO OCT-01 AF-06 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 PA-01

PRS-01 /098 W

----- 109979

R 231430Z FEB 76

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 3900

INFO AMEMBASSY DJAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

USINT BAGHDAD

LIMITED OFFICIAL USE ALGIERS 0459

E.O. 11652: N/A

TAGS: ENRG, AG

SUBJECT: OPEC AND DIFFERENTIALS

1. SUMMARY: ALGERIAN PRESS DOWNPLAYS IMPORTANCE OF REDUCTION IN PRICE OF IRANIAN HEAVY, BUT TAKES OCCASION TO CRITICIZE IRAQ FOR CONTINUED UNDERPRICING OF IT OIL. END SUMMARY.

2. OFFICIAL GOVERNMENT DAIL EL MOUDJAHID OF FEB 21 DISCUSSES RECENT IRANIAN DECISION TO CUT PRICE OF ITS HEAVY CRUDE AND CURRENT STATE OF OPEC PRICE ALIGNMENT. CERTAIN WESTERN NEWSPAPERS, EL MOUDJAHID NOTES, HAVE DESCRIBED IRANIAN DECISION AS THE BEGINNING OF A GENERAL DECLINE IN OIL PRICES; HOWEVER, IRANIAN DECISION IS NOTHING MORE THAN A PRICE REALIGNMENT.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ALGIER 00459 241706Z

IRANIAN READJUSTMENT RATHER THAN BEING DIVISIVE WITHIN

OPEC, MOUDJAHID ADDS, WILL GUARANTEE GREATER HARMONY WITHIN ORGANIZATION.

3. TURNING TO THE CURRENT DIFFERENTIAL SITUATION, EL MOUDJAHID NOTES THAT UNDERPRICED OILS STILL EXIST WITH THE OPEC PRICE STRUCTURE, PARTICULARLY IRAQI CRUDE. ARTICLE RECALLS THAT ALGERIA STRESSED LAST SUMMER THAT CERTAIN OILS, NOTABLY THOSE OF NIGERIA, LIBYA AND IRAQ WERE UNDERPRICED. SINCE THEN THE NIGERIAN OIL PRICE HAS COME INTO LINE, AND LIBYA HAS MADE AN APPRECIABLE EFFORT TO READJUST ITS PRICE. IRAQ, HOWEVER, REMAINS BEHIND THE OTHERS IN RESPECT TO REAL MARKET PRICES.

4. IT IS TRUE, SAYS EL MOUDJAHID, THAT IRAQ LIKE ALGERIA IS IN SPECIAL SITUATION OF MARKETING ITS OWN OIL WITHOUT GUARANTEED PURCHASES, A SITUATION WHICH MAY LEAD TO MARKETING DIFFICULTIES. IRAQ IS TRYING TO OVERCOME THESE DIFFICULTIES BY SELLING ITS OIL NOT AT THE MARKET PRICE BUT AT A PRICE LESS THAN THAT WHICH IT CONSIDERS PREFERENTIAL PRICES OF OTHER OPEC COUNTRIES. THESE PREFERENTIAL PRICES, ACCORDING TO ARTICLE, HAVE BECOME QUASI-CURRENT IN OPEC AND ALLOW FOR A MARGIN ON THE ORDER OF 15 CENTS PER BARREL TO COVER TECHNICAL ASSISTANCE WITHIN THE CONTEXT OF PARTICIPATION OR NATIONALIZATION AGREEMENTS.

5. ALGERIA, SAYS EL MOUDJAHID, CONSIDERS IT PERFECTLY NORMAL TO OFFER DISCOUNTS ON SIMPLE SALES CONTRACTS AS LONG AS THESE DISCOUNTS REPRESENT THE REAL VALUE OF SERVICES PERFORMED BY THE COUNTRY ITSELF AND NOT BY AN INTERNATIONAL OIL COMPANY. THESE DISCOUNTS, HOWEVER, MUST NOT BE DESIGNED TO COVER UNJUSTIFIED REFUNDS AIMED AT FAVORING THE OUTPUT OF ONE OIL AT THE EXPENSE OF OTHERS.

6. COMMENT: ALGERIAN OIL IS CURRENTLY BEING SOLD AT 10-15 CENTS OVER THE PRICE (\$12.75/BARREL) SET BY OPEC IN SEPT. EL MOUDJAHID EDITORIAL SEEMS DESIGNED TO INSURE THAT PREMIUM CONTINUES. WITH PRESENT LOW PRICES OF IRAQ AND TO LIMITED EXTENT LIBYA, ANY WEAKENING IN WORLD MARKET FOR LIGHT OILS WOULD BE FELT FIRST BY ALGERIA AND NIGERIA. GIVEN ALGERIAN FLEXIBLE PRICES SYSTEM, THIS COULD BE TRANSLATED INTO LOWER PRICE AND LOSS OF BADLY NEEDED REVENUE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ALGER 00459 241706Z

PARKER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, PETROLEUM, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 23 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ALGIER00459
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760069-1090
From: ALGIERS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760225/aaaaavjv.tel
Line Count: 108
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 07 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 JUN 2004 by buchant0>; APPROVED <07 JUN 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OPEC AND DIFFERENTIALS
TAGS: ENRG, AG, IR, IZ, OPEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006